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loads, projected revenues, and the probable future competitiveness of the borrower. When RUS determines that a sensitivity analysis is necessary for distribution borrowers, the variables to be tested will be determined by the General Field Representative in consultation with the borrower and the regional office. The regional office will consult with the Power Supply Division in the case of generation projects for distribution borrowers. For power supply borrowers, the variables to be tested will be determined by the borrower and the Power Supply Division.

(e) The financial forecast shall use the accrual method, as approved by RUS, for analyzing costs and revenues, and, as applicable, compare the economic results of the various alternatives on a present value basis.

[57 FR 1053, Jan. 9, 1992, as amended at 63 FR 53277, Oct. 5, 1998]

EFFECTIVE DATE NOTE: At 78 FR 73366, Dec. 5, 2013, §1710.300 was amended by redesignating paragraphs (d)(3) through (5) as paragraphs (d)(4) through (6), and adding a new paragraph (d)(3), effective Feb. 3, 2014. For the convenience of the user, the added text is set forth as follows:

§ 1710.300 General.

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(d) * * *

(3) RUS-approved EE Program work plan;

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§ 1710.301 Financial forecasts—distribution borrowers.

(a) Financial forecasts prepared by distribution borrowers shall cover at least a ten-year period, unless a shorter period is authorized by other RUS regulations.

(b) In addition to the requirements set forth in §1710.300 of this part, financial forecasts prepared by distribution borrowers in support of a loan application shall:

(1) Include expenditures for any maintenance determined to be needed in the current system's operation and maintenance review and evaluation in order to comply with mortgage covenants and prudent utility practice;

(2) Fully explain the basis for the power cost projections used. Generally,

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the power supplier's most recent forecasted rates shall be used; and

(3) Use RUS Form 325 or computer-generated equivalent reports.

§ 1710.302 Financial forecasts—power supply borrowers.

(a) The requirements of this section apply only to financial forecasts submitted by power supply borrowers in support of a loan from RUS. The financial forecast prepared by power supply borrowers shall demonstrate the effects that the addition of generation, transmission and any distribution facilities will have on the power supply borrower's sales, costs, and revenues, and on the cost of power to the member distribution systems.

(b) The financial forecast shall cover a period of 10 years. RUS may request projections for a longer period of time if RUS deems necessary.

(c) Financial forecasts prepared in support of loan applications to finance additional generation capacity shall include a power cost study as set forth in §1710.303.

(d) In addition to the requirements set forth in §1710.300, financial forecasts prepared by power supply borrowers shall:

(1) Identify all plans for generation and transmission capital additions and system operating expenses on a year-by-year basis, beginning with the present and running for 10 years, unless a longer period of time has been requested by RUS.

(2) Integrate projections of operation and maintenance expenses associated with existing plant with those of new proposed facilities to determine total costs of system operation as well as the costs of new generation and generation-related facilities;

(3) Provide an in-depth analysis of the regional markets for power if loan feasibility depends to any degree on a borrower's ability to sell surplus power while its system loads grow to meet the planned capacity of a proposed plant;

(4) If not previously submitted, furnish RUS with all material information on operating agreements, ownership agreements, fuel contracts and any other special agreements that affect annual cost projections, as may be

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required by RUS on a case by case basis; and

(5) Include sensitivity analysis if required by RUS pursuant to § 1710.300(d)(5).

(e) The projections shall be coordinated in advance with RUS so that agreement can be reached on major aspects of the economic studies. These include, but are not limited to, projections of future kW and kWh requirements, RE Act beneficiary loads, electricity prices, revenues from system and off-system power sales, the cost of prospective plant additions, interest and depreciation rates, fuel costs, cost escalation factors, the discount rate, and other factors.

(f) The projections, analysis, and supporting information must be included in a report that will provide RUS with the information needed to:

(1) Understand and compare various power supply plans;

(2) Determine that the facilities to be financed will perform satisfactorily; and

(3) Determine that the overall system is economically viable and the loan is financially feasible and secure.

[57 FR 1053, Jan. 9, 1992, as amended at 63 FR 53278, Oct. 5, 1998]

EFFECTIVE DATE NOTE: At 78 FR 73366, Dec. 5, 2013, § 1710.302 was amended in paragraph (d)(5) by removing the reference “§ 1710.300(d)(5)” and adding in its place “§ 1710.300(d)(6),” effective Feb. 3, 2014.

§ 1710.303 Power cost studies—power supply borrowers.

(a) All applications for financing of additional generation capacity and the associated bulk transmission facilities shall be supported by a power cost study to demonstrate that the proposed generation and associated transmission facilities are the most economical and effective means of meeting the borrower's power requirements. This study usually is a separate study but it may be integrated with the financial forecast required by § 1710.302.

(b) A power cost study shall include the following basic elements:

(1) A study of all reasonably available self-generation, purchased-power, load management, and energy conservation alternatives as set forth in §§ 1710.253 and 1710.254;

(2) A present-value analysis of the costs of the alternatives and their effects on total power costs, covering a period of at least 10 years beyond the projected in-service date of the facilities;

(3) A description of proposed new power-purchase contracts or revisions to existing contracts, and an analysis of the effects on power costs;

(4) Use of sensitivity analyses to determine the vulnerability of the alternatives to a reasonable range of assumptions about fuel costs, failure to achieve projected load growth, changes in operating and financing costs, and other major factors, if the financial forecast is used in support of a loan or loan guarantee that exceeds the smaller of \$25 million or 10 percent of the borrower's total utility plant. Individual sensitivity analyses need not be duplicated if they have been included in other materials submitted to RUS; and

(5) Assessment of the financial risks of the various alternatives, especially as between capital-intensive and non-capital-intensive alternatives, under the range of assumptions set forth in paragraph (b)(4) of this section.

(c) Power cost studies must use current, RUS-approved power requirements data, and all major assumptions are subject to RUS approval. Alternative assumptions about projected power requirements may be used, however, in conjunction with the sensitivity analyses required by paragraph (b)(4) of this section.

(Approved by the Office of Management and Budget under control number 0572-0032)

§§ 1710.304–1710.349 [Reserved]

Subpart H—Energy Efficiency and Conservation Loan Program

SOURCE: 78 FR 73366, Dec. 5, 2013, unless otherwise noted.

EFFECTIVE DATE NOTE: At 78 FR 73366, Dec. 5, 2013, subpart H was added, effective Feb. 3, 2014.

§ 1710.400 Purpose.

(a) This subpart establishes policies and requirements that apply to loans and loan guarantees to finance Energy